FHA and VA Schedule C Sole Proprietor Income Calculation Worksheet

Per HUD Handbook 4000.1 Effective 9/14/2015

Borrower:	**Loan Number:**

Schedule C (Form 1040) is used to report income or loss from a business operated or a profession practiced as a sole proprietor. An activity qualifies as a business when the primary purpose for engaging in the activity is for income or profit and the filer is involved in the activity with continuity and regularity.

Schedule C is also used to report:

- **Wages and expenses as a statutory employee,**
- **Income and deductions of certain qualified joint ventures, and**
- **Certain income shown on Form 1099-MISC, Miscellaneous Income.**

NOTE: Small businesses and statutory employees with business expenses of $5,000 or less may be able to file Schedule C-EZ instead of Schedule C.

Note: We must pay particular attention to a pattern of significant declining income and additional factors may need to be considered for calculations. Be sure to utilize the underwriting scenario desks if needed for review and analysis of tax returns to determine acceptable qualifying income. underwriting@fairwaymc.com

Schedule C – Profit or Loss from Business: Sole Proprietorship

		Most Recent Year	Prior Year
Tax Year			
Line 31-Net Profit (or) Loss		$	$
Line 12-Depletion	+	$	$
Line 13-Depreciation	+	$	$
Line 30-Business Use of Home Only Mortgage Interest, Mortgage Insurance Premiums (MIP), real estate taxes, and Property Insurance deducted for business use of a house may be added back to the gross income. See IRS Form 8829	+	$	$
Line 44a-Business miles multiplied by Mileage Depreciation Rate shown below	+	$	$
Total for both years Total	=	A $ 0.00	B $ 0.00
A + B	=	$ 0.00	
Most Recent Year Divided by 12 months A **divided by 12, OR**	=	$ 0.00 **Net Schedule C Income for Qualifying**	
Most Recent Year & Prior Year A + B **Divided by 24 months**	=	$ 0.00 **Net Schedule C Income for Qualifying**	

Mileage Depreciation Rate

Year	Depreciation Per Mile in Cents
2016	.24
2015	.24
2014	.22
2013	.23

Income obtained from businesses with annual earnings that are stable or increasing is acceptable. Typically, a 24 month average of income would be used. A decline in income for the most recent year should be explained. If the most recent year is less than the prior year, only a 12 month average would be used. If the decline is substantial, it could be possible the income may not be used. For FHA, if the decline is greater than 20%, the loan must be downgraded and manually underwritten.